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ADMINISTRATIVE AND BUDGETARY COORDINATION OF THE UNITED NATIONS WITH THE SPECIALIZED AGENCIES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY

Accounting standards

Report of the Secretary-General

I. INTRODUCTION

1. At its forty-sixth session, the General Assembly discussed an interim study requested at its previous session from the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency (IAEA), on the need for the development of common accounting standards for the United Nations system (A/46/341). In its decision 46/445, of 20 December 1991, the General Assembly "endorsed the recommendations of the Panel of External Auditors in the interim study, and requested the Secretary-General, taking into account the observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions in its report, to appoint a consultant from within existing resources to propose a set of accounting standards for common application in the United Nations system, and to report thereon to the General Assembly at its forty-seventh session".

2. In its report containing the observations and recommendations that conditioned the implementation of this decision (A/46/546), the Advisory Committee on Administrative and Budgetary Questions, after recalling the General Assembly's request for the study and developments in the meantime, had included the following passage:

> "4. Having considered the current submission of the Panel (A/46/341), the Advisory Committee is further convinced of the urgent need for reviewing, formulating and adopting common accounting standards to be applied in the United Nations system. The Committee urges that the

agencies in the Administrative Committee on Coordination also regard this matter as a priority, with a view to bringing about a satisfactory conclusion to the discussions referred to above before the start of the forty-seventh session of the General Assembly.

"5. Should the agencies be unable to reach agreement, the Advisory Committee recommends that the United Nations itself commission the Panel of External Auditors to prepare a comprehensive study, in time for it to be considered by the General Assembly before the end of its forty-seventh session. In the Advisory Committee's view, the cost of the study should be modest. Cost estimates for the study should be provided by the Secretariat to the Fifth Committee before its consideration of this item during the current session."

The Advisory Committee had then set out its views on the scope of the study to be commissioned in the circumstances to which it had alluded, and on the means by which such a study should be carried out. Finally, it had indicated that it would "revert to this matter, either on the basis of the agreement which would emerge from the deliberations in ACC, or on the basis of the study described ..., and report to the General Assembly at its forty-seventh session".

3. The Secretary-General has noted the priority attached by the Advisory Committee to agreement among the organizations as a means of reaching a satisfactory conclusion to the discussion of accounting standards. He wishes in the present report to inform the General Assembly of the steps taken to arrive at such agreement, and of the progress made in a programme of work undertaken by the organizations to develop common standards. This programme of work is being carried out under the auspices of the Administrative Committee on Coordination by the Consultative Committee on Administrative Questions (Financial and Budgetary Questions), a body that brings together senior financial managers representing the various organizations of the system.

II. ACTION IN 1991 AND 1992

4. The Consultative Committee on Administrative Questions (Financial and Budgetary Questions) began consideration of the questions raised by the Panel of External Auditors in March 1991, when it met with the Chairman of the Panel's Technical Group to study the concerns that had led to the initial study, then available in provisional form. A number of questions and reservations were raised at that stage. Subsequently, on the basis of additional information provided by the Chairman of the Technical Group, as well as further discussions among members, the Committee concluded in September 1991 that the matter should be pursued and that this could best be done through a cooperative effort on the part of the organizations.

5. It was agreed that the cooperative effort should proceed in such a manner as to result in significant and substantial progress by the time of the forty-seventh session of the General Assembly, in 1992. A full set of accounting standards for the system was foreseen for completion by the

forty-eighth session, in the final months of 1993. It was planned that consultations with the Panel of External Auditors would be held as the work progressed, and that after completion of the common standards, arrangements would be instituted for their periodic review and updating under procedures comparable to those through which they had been developed.

6. A Consultative Committee on Administrative Questions (Financial and Budgetary Questions) Working Party on Accounting Standards, open to attendance by accounting specialists of all organizations wishing to be represented, held its first meeting from 4 to 6 December 1991. After intensive discussions, it was able to put forward a draft for a large number of the core provisions that would need to be included in the common standards. A second meeting of the Working Party, devoted to critical review and further development of these provisions, and to the consideration of related issues of financial policy, was held from 25 to 27 May 1992. In both cases the meetings were preceded by substantial analytical and preparatory work; they were followed by circulation of the texts developed, as exposure drafts for the attention of the organizations as a whole. The Consultative Committee on Administrative Questions (Financial and Budgetary Questions) reviewed the reports of the two meetings, and organizations' comments on them, at its sessions of March and September 1992 respectively.

III. PLANS FOR FURTHER ACTION

7. At its session of September 1992, the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) agreed that, although considerable work remained to be done both to expand the coverage of the draft standards and to enhance their specificity, a point had been reached at which consultations with the Panel of External Auditors could be profitably undertaken. The Panel was accordingly requested to examine the draft during the 1992 session, to be held in November, in order that its comments might be taken into account in the context of the work to be carried out by the Working Party at its third meeting, scheduled for 1-3 December 1992. The Committee also hoped that joint consultations with the Panel's Technical Group could be arranged during the following meeting of the Working Party, planned for the spring of 1993. Further meetings of the Working Party are to be scheduled as necessary during the remainder of 1993 so that a completed text will be available following the Committee's session of September 1993.

IV. CHARACTERISTICS OF THE DRAFT STANDARDS

8. In their present provisional form the draft standards consist of 55 paragraphs of text, representing some two thirds of their expected final length. They are divided into six sections: the introduction and a general framework are followed by provisions under the headings of "Financial statements", "Currency questions", "Income and expenditure", and "Assets and liabilities". Where necessary, explanatory material is included in these provisions.

9. In developing the draft standards the Consultative Committee has taken as its principal source of reference the standards promulgated by the International Accounting Standards Committee. In doing so it has had to bear in mind, however, that these standards have been designed essentially for application in the private 99 sector and address a number of issues (e.g. profits, tax liabilities, shareholders' equity) that are of limited relevance in the United Nations system. It has also been necessary to supplement the guidance that the international accounting standards provide by comparing practices developed to meet the specific requirements of the United Nations system and, where necessary, selecting options. Standards and exposure drafts developed by professional bodies concerned with the public sector have been drawn upon, subject to their applicability to the international level.

10. The Committee has taken the view that the common standards should prescribe preferred practice, and not simply describe existing practice, if they are to yield their full benefit. It has issued instructions to the Working Party on means by which this goal should be pursued as the draft standards are extended and made more specific. The completed standards should thus draw accounting practices within the system towards conformity with common norms. The achievement of such conformity may require alterations in financial regulations and financial policies adopted by the governing bodies of individual organizations.

V. CONCLUSION

11. Although the standards under development by the Consultative Committee have not yet reached a stage at which they can be issued, the Secretary-General believes that the work to date represents a positive and useful response to the concerns of the General Assembly, the Advisory Committee and the Panel of External Auditors. He would suggest that the work should proceed in accordance with the plans drawn up by the Consultative Committee, as outlined in paragraphs 5 and 7 above, subject to such recommendations as the Advisory Committee and the Panel may wish to provide on the basis of their acquaintance with the results achieved so far.